

Legislative Fiscal Bureau

Fiscal Note

HF 677 - Capital Investment Program (LSB 2280 HZ)

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Fiscal Note Version — New

Description

House File 677 creates a New Capital Investment Program that would provide tax refunds and credits to businesses meeting specified criteria, including a minimum of \$500,000 in capital investment. The tax credits include sales and use tax refunds, investment tax credits equal to 1.0% to 5.0% of the investment, and research activities credits. The Department of Economic Development (DED) would administer the new Program.

Assumptions

1. Eighty-four projects will be approved by the DED each year, with the tax refunds and credits approved in FY 2004 first claimed in FY 2005.
2. The average tax refund and credit cost of each project will be \$116,500
 - Per project average sales and use tax refunds = \$16,800.
 - Per project average investment tax credit (average 2.5% credit) = \$87,500
 - Per project average research activities credit = \$12,200
3. Full redemption of the sales and use tax refunds will occur in the year after approval and the use of the investment and research tax credits will take an average of four years.
4. The DED annual cost to administer the new Program will be \$57,000 per year, with no additional FTE position usage.

Fiscal Impact

The creation of the New Capital Investment Program will result in the issuance of tax refunds and tax credits worth \$9.8 million per year, beginning in FY 2004, and redemption of those credits and refunds beginning in FY 2005. The projected impact by fiscal year is:

- \$3.5 million – FY 2005
- \$5.6 million – FY 2006
- \$7.7 million – FY 2007
- \$9.8 million – FY 2008 and beyond

In addition, expenses of the Department of Economic Development will increase \$57,000 per year, beginning in FY 2004.

Source

Department of Economic Development

/s/ Dennis C Prouty

April 14, 2003

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.
